

Egypt's Economy: Not Out of the Woods Yet

by [Eric Trager \(/experts/eric-trager\)](#)

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ABOUT THE AUTHORS



[Eric Trager \(/experts/eric-trager\)](#)

Eric Trager was the Esther K. Wagner Fellow at The Washington Institute.



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Although Cairo has taken significant steps to address capital shortages in recent weeks, the government knows that these steps will entail significant pain and could therefore spark unrest.

Two weeks ago, Egypt appeared to be on the brink. The Egyptian pound, which sold at 5.9 LE/\$ at the time of Egypt's January 2011 "Arab Spring" uprising, had fallen to 8.9 LE/\$ on November 2, while traders were buying dollars for 18.2 LE/\$ on the black market.

Meanwhile, as revenue streams from foreign investment, aid from Gulf states, and tourism declined, the government instituted stiff capital controls, catalyzing a commodity shortage that became so severe that the Egyptian government raided the sugar supplies of Pepsi and local food company Edita. At the same time, new signs of popular discontent emerged in October: a video of a tuk-tuk driver complaining about the country's conditions went viral on social media, and when the prime minister visited the Red Sea town of Ras Gharib following a flood, residents protested the government's slow response and criticized the Egyptian military on television. Most worrying for the government, the Muslim Brotherhood and its allies had called for a "Revolution of the Poor" on November 11...

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